

There being no objections, the Committee was called back to order at 9:34 a.m., and proceeded as follows:

Administration's Overview

Honorable Tim Bynum (*present at 9:45 a.m.*)
Honorable Mason K. Chock, Sr.
Honorable Gary L. Hooser
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Jay Furfaro, Council Chair

Excused: Honorable Ross Kagawa

Chair Furfaro: Okay. Mr. Mayor, if you would like, we can continue, because these times were posted as approximate. Excuse me, Mayor, I am going to move to Mr. Kagawa's seat.

BERNARD P. CARVALHO, JR., Mayor: Okay. *Aloha* and good morning Councilmembers. Council Chair Furfaro, and Councilmembers, I am very pleased to be here to start off with our overview of our 2015 budget proposal. This is the 6th time I have been here and it has been a long, long road, but we have tried every which way to really come out with a budget that will work for both sides with the Administration and our County Council and for the betterment of our people. When I say "we" everything is because of our team effort. Before I get into our presentation, I would like to touch a little on some of the comments made by our Chair, which was great. I appreciate the overview and the timelines, Chair. It is great, because the people watching, will keep everybody in line and updated. I appreciate the slide sharing that we are working together as a team, in collaboration and teamwork. I really, really am very happy and proud of our team for working very closely with our County Councilmembers, individually, when time permits, being over here, I know that as we talk. I just wanted to share that both sides, that the staff here at our County Council has done a tremendous job in keeping our team members abreast, and everybody working closely, as much as we can and trying to field as many questions and come out with a product that we all can at least get to healthy discussion on. So I wanted to bring that to the forefront. I would also like to ask that we appreciate, as much as possible, we would like to field questions on the floor now. We will have everybody ready. Our team members, each Department has gone through a thorough overview and review of what they will be presenting and I hope from the Councilmembers' side, we can have good, healthy discussion and hopefully avoid some of the 200 questions that might come our way, knowing that we have to deal with daily operations as well. So we will see how it goes, but, as much as possible, we would appreciate that. Then just having our team members here, representing the various Departments and you can see them behind us here. The Prosecuting Attorney is here, Fire, Housing, Department of Elderly Affairs, etc., to be here as a team. Especially during these difficult times our Departmental teams and Department Heads have worked very hard and have been very creative. I have to say that we have developed a great, great fiscal team headed by Steve Hunt, Ernie Barreira and Ken Shimonishi and Ann Wooton to look at the overall budget and to get the job done and our team extends right here, to us in this Chamber.

We will be in a position to make the tough decisions on the budget and the simple reality is that revenues are shrinking and expenses are rising. It is the reality of local governments all over the State and nation. I want to say that, all over the State and all over the nation, we are facing some kind of major fiscal issues overall. So we are trying our

very best to come up with something that could better serve everybody. It is a reality that each of us is facing in our own homes and I am speaking to our families watching today and yet, we still have to get the job done. And we will get it done together. Our Fiscal 2015 budget consists of \$180 million operating budget and \$40.2 million in Capital Improvement Projects (CIP). Those are the two areas. Our original Fiscal Year 2014 budget was \$171 million and during the course of the year, pending or approved money bills have increased the budget to \$176 million. This proposal is a 2.6% increase from the revised fiscal year. I wanted to touch on that as we move into the fiscal discussions.

Our next slide personnel costs as indicated earlier account for nearly two-thirds of our budget. As you can see in this pie chart, 27.1% is related to operations. 5.2% is debt service. And 4.1% comes from utility costs. Let us talk about a little bit about personnel costs, the biggest slice of the pie as you can see there. As mentioned by the Chair earlier, Collective Bargaining costs have hit us this year at a total of \$3.3 million and on top of that, we are absorbing an additional \$4 million in Collective Bargaining next year. So both of that as you can see are indicated on this slide. All four of our public worker unions negotiated raises in 2013 and in the case of two of our unions, these are the first raises that they have received since 2008. So again, all of the discussions have taken place and as you can see some of the numbers. Our employees are an important and valuable resource and they are at the heart of all that we do. Everyday our County workers are ensuring that hot meals get served to home-bound seniors and guarding our beaches and our Water Safety Officers...and clearing our roadways during and after heavy rains and floods and trying to keep everything moving. Arresting citizens and making sure our laws are followed. Grooming our fields for youth soccer and baseball and activities and assisting persons with disabilities with access to County services, providing safe, enriching child-care during school breaks, providing safe and timely bus services. I am very happy with our bus service on a daily basis. And of course connecting people and the need with housing assistance. I just wanted to touch on that. Putting out fires, to minimize property loss, and providing support to crime victims via the web or technology. All of it is done trying to really service our people. So to deliver the services that the public expects and deserves, we must have a well-trained workforce. Our workforce must have the proper tools to get the job done. As costs increase, we must find ways to save money at every opportunity while also looking at how we can increase our revenues without overly burdening our taxpayers. And so it feels like an impossible task, but it just has to be done. We have to work it out. We have to find a way.

In our next slide, the budget that we are proposing does four very simple things and calls for more spending in areas where it is absolutely necessary and reduces spending in areas that have room for cuts, and leverages all possible resources. Asks for additional revenues in targeted areas. And creates opportunities for saving both now and into the future. That is the balance that we need to try to figure out how we can do this. Let me go into each of these in a little more detail. I have already mentioned Collective Bargaining. We will absorb an additional \$4 million in payroll costs and we also need to spend more for the expanded Waimea Wastewater Treatment Plant, processing more green waste and leasing eight new Police vehicles to replace those that have run their useful life, and expand automated rubbish pickup to all residences that we currently serve, and laying the foundation for curbside recycling, and providing bus service 365 days a year. We talked about these earlier. These are some of the critical needs currently on the table.

We are doing our best to hold the line on new positions. This year there were a handful of positions that we felt were critical to health and safety needs, revenue generation, or regulatory compliance. The Public Works positions we feel...here we feel are

critical to health and safety needs. The Civil Defense position is also related to health and safety but will also be focused on pulling in grant funds to benefit both Civil Defense and the Kaua'i Police Department and looking at how we can share the tasks and responsibilities. The additional Deputy County Attorney would handle litigation, reducing our need for Special Counsel, and potentially saving us millions of dollars in the long run. I know there have been numerous discussions on this. Creating this litigation team within the Office of the County Attorney was a recommendation of our Cost Control Commission. So that came from the Cost Control Commission. So in follow-up to that and in looking how to address some of the issues and concerns, we whole-heartedly agree with moving forward on this. Each of these will be discussed in more detail during our individual Departmental presentations and all of our Departments obviously will be coming forward. So with increases costs that we either cannot avoid or must consider, but we can do more to reduce the cost of government, obviously. So the simplest answer can we do more? Yes. And how and do we do that?

While our economy is suffering, or was suffering, and our real property values, we were fortunate to have fund balances and savings accounts from which to draw. We wanted to avoid raising taxes, and fees, during those years while our residents were feeling the worst impacts of the economic downturn, when we first got into office in 2008. It was very, very challenging those times and we tried to work it through in keeping our fund balances healthy. But at the same time, having to make those decisions. Last year we took some bold steps to put our budget back into balance and trimmed millions of dollars from our operating expenses by budgeting closer to previous-year actual expenses and by dollar-funding and short-funding positions that we intended to fill. Now we put off funding on some capital improvements and delayed the hiring of personnel as well. Because the economy was improving, with the Council, we agreed to raise some tax rates and fees. But we are not yet at the end-game and we are trying our very best to get there, to get to the end zone. Our goal is to create a budget that is sustainable over time and we are getting closer to that goal.

What we have done in this proposal to deal with the increased costs is as follows...the bold measures that we took last year did not leave us much room for additional cuts. But for Fiscal Year 2015, we are looking for savings in areas like Police overtime. Now KPD has done a tremendous, tremendous job in partnership with our Human Resources team in getting their vacancies filled. Fewer vacancies mean a full police force, which is already achieving lower overtime costs. We are also proposing in this budget to create, like I said earlier, a litigation team, and this new team will take lawsuits in-house to the greatest degree possible. We are working hard to bring in grant funds to move projects forward. Recent examples include our Housing Agency, working through a non-profit housing developer, to leverage \$28.7 million in highly competitive, State and Federal low-income tax credits, and of course we just had the blessing of our affordable rental units in Līhu'e for our senior housing project at Rice Camp and of course, Princeville is right around the corner.

Ms. Yukimura:

Mayor, I do not think they are non-profit.

Mayor Carvalho: Okay. Our Safe Routes to School multi-agency team was successful in securing \$1.1 million in State grants for the Safe Routes to School program. This will make it easier for students to walk and bike to the various schools...Kapa'a Middle, King Kaumuali'i, Kōloa, etc. So very happy with working closely and securing these grants. However, the biggest focus must be on reducing our payroll expense. Payroll accounts for two-thirds of our budget. We talked about that and

Collective Bargaining will drive the percentage up over time. We must be disciplined when employees retire, or leave the County, every vacancy must be scrutinized to determine if the position can go unfilled, or whether that the job can get done some other way, either by someone else in the Department, via technology, or by joint effort among Departments. So we are scrutinizing every single vacant position. We now have a comprehensive vacancy report compiled by our Human Resources team and my team is committed to scrutinizing every vacancy in making these tough decisions.

Even with budget cuts, we feel we must revisit revenues. Last year we proposed an increase in the Motor Vehicle Weight Tax. It was not adopted, but we feel the increase is still justifiable. We are presenting it again this year. Even with the proposed increase, the Motor Vehicle Weight Tax for Kaua'i would still be below the State average. As you can see, that is clear. That is just a comparison of all the different islands to show that. Last year we also proposed an increase in the Solid Waste tipping fee. That proposal was also rejected at that time, but we feel it is worth serious consideration. We are again proposing an increase from \$90 per ton to \$119 per ton. I show you this pie chart to illustrate that the benefit of increasing the tipping fee goes far beyond revenues. As we all know, a higher fee could have a positive result if more material is diverted from our landfill. Our recycling rate has climbed to 43%. Much higher than the national average of 35%. We are diverting 47,000 tons of waste from the landfill every year. So our team has been really working diligently to address an aggressive diversion program. This year we added monthly eWaste recycling events, launched a recycling awareness campaign, and expanded household hazardous collection efforts overall.

We are also asking for an increase in the Hotel & Resort Real Property Tax Rate. Again, Kaua'i's tax rate in this category is well below the State average. With the past two years of large increases in visitor arrivals and visitor spending, we feel the timing is appropriate and the proposal is fair. The final increase that we are requesting is the renewal fee for Transient Vacation Rental (TVR) certificates. The increase we are seeking will allow us to cover roughly 90% of the cost of managing the TVR program in the Planning Department. Wherever we can, we have to adopt user fees that are appropriate, and adequate. The result of these proposals is an increase, as you can see, of \$6.6 million in revenues for Fiscal Year 2015. Those are the figures right there.

The fourth thing we focused on for the 2015 budget was creating opportunities for savings, now and in the future. The biggest opportunity was covered earlier, down-sizing our workforce as employees leave the County. But there are many more ways we can be more efficient and create long-term savings. We have a task force in place to create a motor vehicle pool for everyday County use. The days of having vehicles assigned to every Department are no more. As our vehicles age, they will be taken out of service, and they will not be automatically replaced as done in the past. A central motor pool is being created that employees can access and actually get online and make reservations for vehicles. That is a cool thing that is happening as we speak.

Modernizing and centralizing our payroll system in Human Resources is another move that we felt strongly about, that would help make employee data more efficient and more secure, more reliable and more accessible, and all of the above. So we decided to make that shift from the Finance Department, moving that function over to Human Resources. I mentioned our proposed legal litigation team earlier. One of the biggest opportunities for us to save money is in the arena of energy conservation. I am very, very happy with our Green Team, our Energy Team. They are making some very big things happen, thanks to their hard work and being upfront and being very resourceful in seeking support. Our

facilities are being retrofitted with software that will help us track and reduce energy use. Knowing what you use is the first step in reducing what you use. So the more we know, we can figure that out, and make sure that the support is there. We are also working with Kaua'i Island Utility Cooperative (KIUC) to replace all of our street lights. We talked about this, our light emitting diode (LED) lighting and possibly installing timing controls. We are very close in securing this with an annual cost of almost one million dollars, saving money on street lights is a high priority and we do have a partnership with KIUC as well. Another very important project is capturing and converting the methane from our Kekaha Landfill into a useful energy source. We are aggressively pursuing technology that would allow us to use the methane from the landfill to fuel our entire bus fleet and all of our heavy equipment. So we are in heavy discussions with...there are numerous opportunities to look at this area, the methane project. So we are very, very engaged in this area right now.

We are also proposing to build our Committed Reserve. We also know that we must plan and be ready for the unexpected. Whether it is a natural or manmade disaster having a healthy, Committed Reserve allows us to be resilient and we already know we are a resilient island, in the face of adversity. We are asking for a minimum annual contribution of \$250,000 to the Committed Reserve. To accomplish this without additional drain on the General Fund, we propose amending the annual contribution to the Public Access, Open Space, Natural Resources Preservation Fund to be flexible between 0.5% and 1.5% of Real Property Tax revenues, instead of mandating a 1.5% contribution. So this is another area of discussion together. For next year, that means a proposed increase of just over one million dollars to our Committed Reserve and a contribution of just over \$500,000 towards the Open Space Fund, which as noted, has a current balance of \$3.3 million. This by no means...I want to make this clear...this by no means signals non-support for the important work of the Public Access, Open Space, and Natural Preservation Fund Commission and our commitment to the goals of that program. This shift simply places equal importance on building both of these funds over time.

In addition to these tax and fee increases we are proposing to reduce our contribution to the OPEB fund that Council Chair touched on earlier for our annual obligation for 2015. We are the only County in the State, I am happy to say that all of us at this table have consistently met this obligation, 100%. So we are allowed to reduce by 20%, our obligation. 20% is our obligation so we went there. So this is a first for us. We will fully fund this obligation as soon as possible, if we are successful in getting the cap on our Transient Accommodation Tax lifted by the State, we talked about that, we may be able to bring this back to 100% in our May 8th submittal, but we will look at that and the best way to replenish that.

With the snapshot of our budget, I hope you can see that we are working diligently to deal with cost increases in a responsible manner. With the overall goal of reducing expenditures in the years to come. This does not mean that we are sacrificing service. We are doing everything that we can, even with the lean budget for this current fiscal year I am proud to report that our employees are doing remarkable things. Three Housing projects will break ground this year and will eventually provide new affordable housing to 152 families in 'Ele'ele e with Habitat for Humanity, in Līhu'e for seniors at Rice Camp, and our first very affordable housing project in Princeville.

Electronic Plan Review has been up, and running for almost a year now and is cutting the waiting time for building permits by 70%. We will be upgrading the software and offering training for architects, because we got to meet with all the architects in one room and others, so we can get everyone using this paperless, efficient system. There are

still people using paper and wanting to go the old way, if you will. But we are trying our very best to make sure that everybody is moving to this paperless effort.

We did a survey last summer and we talked about this in my previous delivery at the Kaua'i County Farm Bureau Fair. I want to share this again, during a round of community meetings we asked the public what County services should receive the highest priority in the coming year? We got around 700 responses to our survey and we heard the public loud and clear. Road maintenance, expanding the Kaua'i Bus, and park maintenance were the top three priorities as you can see. Of course schools are in there, schools and education, which is a State issue, but we all work hand in hand and our *kuleana* is what I just said with the transportation and everything else. So the survey identified road maintenance as a top priority for our residents and I am pleased to report that we just completed the Islandwide Road Resurfacing Project that involved repairs and rebuilding 17 miles of roadway throughout the island and in July we will be ready to bid out the new road resurfacing contract and the Roads and Engineering Divisions are working closely to put out an 80% federally-funded Collector Roads Resurfacing Project for Mailihuna Road, Olohena Road, and Hauaala Road. Design work should be complete in May, bids out in the summer and construction in early 2015. For short-term repairs we are putting into service a new hot mix machine and with this new equipment we can perform reconstruction and then overlay the removed segment with hot mix asphalt. This method will be more effective than the old way again, of the cold mix asphalt. The new truck will carry all the materials needed to perform repairs in one unit rather than several trucks having to carry material, etc., etc. So we are trying to look at efficient equipment, efficient work, and the manpower that is needed in addressing our projects as we move forward.

Expanding the bus. Our Kaua'i Bus was the second highest priority in our survey and that is no surprise. Bus ridership has doubled since 2008. We will soon break ground on the first of 49 bus shelters that were designed this year. Earlier this month, we added a new route from Līhu'e to Kaumakani and added more runs from Līhu'e to the North Shore to alleviate overcrowding. That is another part of us working together, the Administration and the County Council, ensuring the Kaua'i Bus is up and running with more feeder routes, better timing, and all of it, and of course our shelter program.

The third highest priority was park maintenance. Our Parks team has done an awesome job this year catching up on the backlog of maintenance work. The Po'ipū Beach Park renovations are complete with stainless steel fixtures, tile and skylights looking at our awesome sunlight that brightens up everything. Work will start later this year on the Eastern Comfort Station and pavilions. Lydgate Beach Park is undergoing a complete facelift. If you have not seen it, you should stop by. \$500,000 worth of repairs and upgrades to all facilities throughout the park and the job came in at \$300,000 under budget working with our County Council in moving these projects forward. The Kapa'a Swimming Pool restrooms got a complete renovation and our guys worked diligently and it is done. The perimeter fencing was totally replaced and the job was under budget by \$250,000 and for next year we are proposing to resurface the entire pool area. Last Fall we went on a tour of our fifty five park facilities from Hā'ena to Kekaha and we actually did go park by park, taking along with me Department Heads and Deputies from Parks, Public Works, and Finance. We noted every maintenance team in every park and you will see what I mean when our Parks Department comes up and does their individual presentation as well. It will show you to show how we are holding ourselves accountable on what was completed, what was not completed, what faucets are leaking, what faucets are not leaking...all of it. Really detailing it down to what was priority or not priority or emergency or not

emergency...or what is urgent, I should say. To-date 73% of those items have been handled and the rest are still in process.

So before I close I want to mention our Capital Improvement Projects (CIP) Program. So far we have encumbered \$20 million in CIP projects for Fiscal Year 2014 or 40% of the amount currently budgeted. This year we realized significant savings on a number of projects including, like I said, Kapa'a Pool reconstruction, the Lydgate pavilion and restroom renovation, and the Kekaha Gardens Park construction. In all these projects came in at \$1.2 million under budget. This chart illustrates our success over the past three years in spending down CIP moneys and pumping more than \$43 million into the local economy. These next two slides give you a snapshot of some of the Parks-CIP projects that will be our priority next year. We are continuing with the practice of only including projects in the CIP Budget that we feel we can encumbered or underway within the next 18 months. So here are the island wide and south to west side projects that are on the table. Parking lot, play court resurfacing \$250,000. Comfort Station Improvements, \$250,000, this is island wide. From south to west, the Po'ipū Beach Park Phase II improvements, \$400,000. Kalawai Park Basketball/Tennis resurfacing, \$100,000. Kalawai Park lighting system, \$300,000. Kalāheo Gym improvements, \$150,000. Kaumakani Gym improvements, \$65,000 are also committed. Here are the projects slated for the central to north sides. Central East Park Historic Rice Street Development Project. As you can Wailua Homesteads Park Project tennis courts, \$65,000 and so on. Kapa'a New Town Park, Anahola Village Park lighting system, and on the north side, the Kilauea Gym Improvements, \$350,000. So again, these are the projects that are listed, as you can see.

As is the case every year, there are some external factors that hinder us from making accurate revenue and operational need projections. This year at the Legislature, our proposal to be granted authority to levy a general excise tax (GET) surcharge, did not move forward. However, a bill that will lift the cap as mentioned by Chair Furfaro, on the Transient Accommodation Tax or at least a portion of it, is still alive. In fact, it is being heard in the State Ways and Means Committee as we speak and I had a discussion with the Committee Chair David Ige yesterday about how critically important this is to us on Kaua'i. If the cap is lifted our revenue picture could improve significantly and the revenue and health fund proposals could be reconsidered. Finally, we continue to fight to have the sunset date lifted on Act 170, which allows us to place lifeguards, we have gone over this for years and we are trying to get lifeguards placed at Kē'e Beach with State funding and liability protection. If the Act sunsets as of June 30, 2014, we would have to seriously consider our options for guarding Kē'e Beach.

In closing I would like to make a few comments on how I hope we will proceed in the coming weeks. First we look forward to having a very robust, healthy discussion and finding consensus to the greatest extent possible. I also commit to you that we will have available to you the resource people and information that will be needed for you to hold productive and informative hearings. I want to say that again. We are ready and we will have our team members here from all Departments and I am hoping that we can have the healthy dialogue right here on the floor, answering your questions. We hope to have that discussion on the floor and to answer each and every one of your questions on the spot. We know this may not be possible to achieve 100%, but we wish to avoid receiving numerous follow-up questions and we wish to talk about it on the floor. So Councilmembers, let us roll up our sleeves and get to work with the most important task of the year, which is our budget. So I look forward to really having a healthy discussion and thank you again for the time and we are ready to talk story and move forward. *Mahalo* for your time. If you have any questions, we can field questions now with our team members here. Thank you.

Chair Furfaro: Thank you, Mayor. Mayor, I just wanted to touch on a couple of items and some of the...the differences that I have expressed about, for example, the OPEB commitment. I did not see in your presentation, but there is a difference in my comments, where I am saying if we go to the 73% funding, we are still way above the expectation of the State. But I am saying if we have a positive outcome with the TAT and other revenues, that this would be the priority to replenish that?

Mayor Carvalho: Yes.

Chair Furfaro: I am saying it should be our first priority.
Are you in agreement with that?

Mayor Carvalho: I am in agreement with that. If it was not said in here then...solid on that.

Chair Furfaro: And your Reserve commitment of \$250,000, a quarter of a million dollars a year, is it still along the lines of the Bill that I introduced, which would hopefully get us to around 15% at some future date? What is the rationale about building our Reserve?

STEVEN A. HUNT, Director of Finance: The \$250,000 would not get us to that two months anticipated expenditure of our operating budget. It is a start.

Chair Furfaro: I understand that. I mean, even at Waianae Elementary in the second grade, we understand that math. I am saying what is the final goal? The Bill that I introduced and accepted, indicated that we would like to have 15% in some kind of Reserve, in which half of it would be earmarked at least for emergencies, is that still the goal?

Mr. Hunt: I am in concurrence that that is the goal and we will make efforts to get to that goal.

Chair Furfaro: Thank you. Questions on the presentation? Mr. Hooser and I will go around the table.

Mr. Hooser: Thank you Mayor for your presentation and for all the hard work that you and all our great employees do for our County and for the people of Kauai. I do understand the challenge of course, and probably my focus is the future and I am concerned last year when we came in...and the future is tied to the past. There is no way around. Last year we ended up raising a number of fees and we are here again raising property taxes and a number of fees. I consider a balanced budget one where income and expenses are kind of equal. This budget of course is not balanced because we are spending from the savings account. We are taking significant sums from our Health Fund for County employees. My initial question is how much out of balance is this? In percentages and dollars? In terms of income versus expenses? Because clearly we cannot just keep doing this, right? No budget can sustain being out of balance, spending more money than is coming in. So my follow-up question is, when was the last time that the County of Kaua'i had a balanced budget or have we ever? If you could address that.

Mayor Carvalho: As far as I am concerned we submitted a balanced budget. We did the work that we needed to do to look at ways to assure that

although some of the funding areas...we are committing to those areas within our budget to submit to you, the County Council, a balanced budget. That is why we are in discussions to see if not here, then where would you suggest we look and how can we work together to come to a place to address the overall budget? We have gone over this numerous times.

Mr. Hunt: This was addressed in the economic...the executive budget briefing. Last time we had a truly balanced budget, I think the crossover point was in Fiscal Year 2009.

Mr. Hooser: So in 2009, the income, taxes, fees and revenue roughly balanced the outgoing in 2009?

Mr. Hunt: Yes.

Mr. Hooser: That is the last time that we had a balanced budget as conventional people would call it. We are not spending our savings account to pay our bills, is how most people would call a balanced budget.

Mr. Hunt: Fiscal 2009.

Mr. Hooser: Fiscal 2009. Since then we have been...and I understand the rationale...we had some Charter provisions and we had to get through the bad times and I understand that and I can certainly recognize the value of that argument. I was just trying to get clear on it, we have not had a balanced budget really since 2009. So how out of balance, according to my definition, income and expense, are we now?

Mr. Hunt: Just to clarify, the budget is balanced. What you are talking about is an annual balancing between expenses and revenues.

Mr. Hooser: Right.

Mr. Hunt: Just to clarify the last time we had that balance was Fiscal 2009. We continue that from Fiscal...looks like Fiscal 2004 to 2009 was the accumulation of our Fund Balances, which we survived on for a number of years and continue to do so this year. It is a balanced budget, it is not a sustainable budget because we continue to use Fund Balances which are not replenishing.

Mr. Hooser: I am happy to use your words. I am using balanced budget and you use "sustainable budget." The last time we had a sustainable budget was 2009 Fiscal?

Mr. Hunt: Yes.

Mr. Hooser: So how much are we upside down to achieving a sustainable budget in the Fiscal Year we are talking about now?

Mr. Hunt: I would have to look at all the fund balance uses that we are using to fund this budget. The larger ones that we do know, approximately, \$4.5 million of unfunded OPEB is being used to balance the budget.

Mr. Hooser: OPEB again?

Mr. Hunt: It is the Other Post Employment Benefits (OPEB). It is an unfunded, both current and unfunded health mandate, the health fund for our retirees.

Mr. Hooser: Our retirees or active employees?

Mr. Hunt: Both, we pay a current and a catch up.

Mr. Hooser: So \$4.5 million and the other big number is what?

Mr. Hunt: Is the other amount that we are using to balance the budget from Unassigned Fund Balance which I believe it is about \$6.7 million.

Mr. Hooser: So \$10 to \$12 million short of being a sustainable budget?

Mr. Hunt: Yes, just from those two, I have not looked at all funds.

Mr. Hooser: If you could maybe get a better handle for us in the next meeting. I understand that I did not ask you this question in advance, but if you could provide that number. Again, I am concerned about next year also, not just this year. If we are facing at least a \$12 million gap in terms of sustaining it, next year we would have a similar or greater...there needs to be that awareness, I think of it and how we are going to handle that. So if you could provide that, I would appreciate it. Thank you, very much, Mayor.

Chair Furfaro: I want to expand on that as well because as we talk about a balanced budget or we talk in terms of sustainable budget and so forth, along with that, I would expect the Administration to be upfront with us on some of the impacts that happened from 2009. For example, we were entitled to \$16.7 million of money from the State and they capped us at \$13 million. So \$3.7 million of the short was due to the Legislature taking money from us. Fair and reasonable. The Law only requires us to fund 20% of the OPEB benefits. This County has funded 100% for every year that our liability has not been exposed. But we are in compliance by doing 73%, because we are only required to do 20%. So I would like to see those as part of the variables as well. Because the County of Kaua'i was only one of the five State political subdivisions that funded 100% of our liability. It is important for us to understand that as well. Then there is still the consequence out there of what happens to the TAT if nothing happens? So those are the variables that have to be part of your response. Okay? JoAnn.

Ms. Yukimura: Yes. Thank you Mayor. Thank you for being here Mayor and to all of your team members who have been working very hard. I just want to acknowledge some of the accomplishments that you have highlighted. I am very, very pleased that our CIP projects have been getting out, and to get them in below budget is also great news. That we would have moneys for our other needs. It is demonstrating the importance of having projects ready to go at our downtime, because that really stimulates the economy and we get lower prices. So great work on that. I love that Departments are now budgeting closer to actuals, because when we put money aside that will not be used during the year and not fund other things that are so critical, that is a horrible disservice to our people. So I am glad for that. I am glad that getting our payroll system modernized is

finally happening. I think we are going to see both efficiencies and better accuracies. I really appreciate that. The other thing which I was just going to write down is your permitting time reductions is very extraordinary and really needs to be commended. I really thank you for that. There were other things, but I want to go into some questions. You may not want to answer them in detail, but I am very concerned about the status of the Material Recovery Facility (MRF) because we cannot do as we knew long ago. We cannot do complete curbside recycling without a MRF and I am hoping to hear a lot of progress on that.

Mayor Carvalho: Let me say that the commitment is there for the MRF, which you will hear in our presentations, some of the challenges that are happening right now. But I will just say that the commitment is there right now and the updates will come.

Ms. Yukimura: Well, it is action that will tell me about the commitment.

Mayor Carvalho: Action with *Aloha*, yes.

Ms. Yukimura: Because I hear people saying that they have commitment all the time. But if nothing happens, so okay...I hope to see that. I understand the critical need for new positions, but I am very concerned that a Bus Planner or a Planner/Project Manager for the Bus Agency is not in your list. I mean, if we are going to expand the bus to a ridership of 1,000% over increase, in 25 years, which is our Multi-Modal Land Transportation Plan. Last year alone our poor Executive in Transportation has been struggling to keep things going, as well as expanding. It is a real limiting factor, which needs to be addressed. So I am really...I will consciously look at all of these positions you are requesting, but I would like to see some support for a position in the Bus Agency. I hope maybe in your supplemental budget that can be something that is considered. Yes?

Mayor Carvalho: We have tried to look at as close as we can to the positions and I also want to mention, too, that our Departments are really working very closely together. Depending on each other, sharing resources, and we have our Transportation Planner also that we are very happy with. Time is allocated to transportation and other projects accordingly. So my point is that we are trying to look at the overall picture and look in-house, how we can piggy-back and offer each other's resources and knowledge and help each other out as we navigate through some of the awesome projects coming forward. I can show you examples later. I hear what you are saying, too. Whatever resources can come, but I also want to make sure that you understand that there is a connection now happening within each of the Departments, of people working collectively. Where one does not have the experience or needs additional support, the other one is picking up and offering that support and expertise.

Ms. Yukimura: I know and I commend the amount of interdepartmental work that is being done. I want to say that your Administration has reached a new level compared to other Administrations. But I also know that the work that the Transportation Agency has to do to make this Multi-Modal Plan happen and we all need...I mean, you must hear the complaints the same way that we do about the traffic congestion. The increase in bus ridership, a thousand percent will help that. You have also heard about the lack of moneys to expand roads.

Mayor Carvalho: I just wanted to acknowledge that we are trying our very best to work with what we have. I acknowledge that there are bigger issues that we have to deal with. So we look forward to more discussion within our Departments.

Ms. Yukimura: Thank you. Then related to that, the way I look at it in terms of accomplishing our long-range plans for the bus. Like Councilmember Hooser, that is looking forward to the future, which we are responsible for in doing the budget. We need a sustained funding source for the bus. So I would like to...I would like to ask you as Mayor to support a half percent excise taxing power that is earmarked for the bus. Because I think that is the only way we are going to accomplish what we need to accomplish. Can you say whether you support that?

Mayor Carvalho: I am willing to look at options. We will revisit again. Here we are sitting figuring out how best way to keep our budget balance.

Ms. Yukimura: I will tell you that a new source of revenue will really help. We have been using the Highway Fund to help increase the bus' budget or at least keep them afloat and thank you for that.

Mayor Carvalho: You have transportation, you have health and public safety. You have to look at them collectively. Public safety is a big one for me too, and transportation and housing. So I hear what you are saying, and we will welcome some of the suggestions and look at ways that we can address it.

Ms. Yukimura: What I did not finish saying is that you guys are bringing forth a \$100 million budget for road repair. I mean, not in this budget, but that is the bill. That is the bill that thanks to this road paver software we are finally getting a handle on what our bill is for the cost of repaving roads. To not address it is to go further into the hole, because reconstruction costs, if we do not do preventative maintenance is going to be higher. If we do not do that, people are going to pay bigger bills for their cars. It is like there is no way that we cannot address it. So what I am saying is that the Highway Fund is going to be needed for that. So then what are we going to use for the bus? Thank you very much.

Mayor Carvalho: All right.

Chair Furfaro: Are you finished with your preliminary wish-list? I will go across to Mr. Rapozo and give him the floor now.

Mr. Rapozo: Thank you, that was the world according to JoAnn. I want that half percent for public safety, you know what I am saying? I think we all have different priorities and it is kind of shocking in the survey that was taken at the Fair, the Police was last and I guess if you are not a victim of crime, then it is just there. Nobody really goes out and says, yes we have to help the Police unless they become a victim that they wait an hour for the Police to come and take a complaint and then they get very angry. Roads does not surprise me because everybody is on the roads and if you live in Puhi and you have to go to the dentist every time you get home because your tooth is loose from the potholes, I think that is more...I think more noticeable than the Police force or the Fire Department. But anyway, I kind of wanted to touch on the OPEB, because I think...I totally agree with what Mr. Hooser is saying that we have to start looking down the road. If we fund 73% and let us just use \$100 as if the bill is \$100, we pay \$73 and that means next year we have to pick up that extra \$27, correct?

Mr. Hunt: It has to be picked up, not necessarily next year, but you are right.

Mr. Rapozo: That gets added to our bill.

Mr. Hunt: Correct.

Mr. Rapozo: That does not include the Collective Bargaining raises which would drive that number up, and the year after and the year after that does not include any new positions or new personnel costs. So I think the Chair, I agree with the Chair that should we get the TAT lifted, the cap lifted, then we should definitely address that issue. But we have got to be cognizant that that number does not go away. It is like credit card debt, you pay minimum payment or 73% of the bill, you will never pay it down and that is my concern. The other concern again, I know the Police Department is doing a great job in reducing overtime, but have we looked at the other Departments as well, I know Public Works, Solid Waste, very, very high overtime. But I did not see that in the presentation. Are we working...I am hoping that everybody is getting scrutinized, not just the Police. The Police as we all know and I think the public may not know that when they operate with the kinds of vacancies that they have, they are going to have that overtime. As they fill those vacancies, we were so successful in filling the vacancies that also came with a price tag because now you have to put that recruit with a training officer. Where you would have one officer working overtime, you now have two. That is just the cost of doing business and the collateral costs of a huge recruit class. So hopefully over time we can catch up. Have we looked at the other Departments?

Mayor Carvalho: I can tell you that we have looked at every single Department.

Mr. Rapozo: Only the police has...

Mayor Carvalho: Well Police, again, for a long time it has been like I said earlier has been many vacancies. We did a really great job, all of us.

Mr. Rapozo: Right.

Mayor Carvalho: Trying to fill those positions. But there are some issues in other Departments. We are trying to develop teams in Public Works between Solid Waste and Roads. To me Roads should be Roads and Solid Waste should be Solid Waste and a lot of times there is crossing over in some of the other jobs are not able to get done, because priority...Solid Waste is just as an example and we are working with the unions to develop this team concept where you would be able to address the overtime and keep it within each Department and in others as well.

Mr. Rapozo: I am hoping that the other Departments can get the accolades as well once they address their overtime issues. I just do not know if it is fair. I have heard it from the Officers that they have clamped down on overtime, which is a good thing, but I think it needs to be done Countywide, so that everyone...because that is a huge cost, the overtime cost. I have a lot of questions, but I will reserve that for when we get into the specific Departments. The methane capture, captured me. So I would ask in advance that we can get a briefing, Mr. Chair? Maybe we could get a briefing in the Committee at

some point to have the dialogue. Because I think that is a great opportunity that we need to explore.

Mayor Carvalho:

Okay.

Mr. Rapozo: Over the years I have heard of partnerships with the Navy and I do not want to waste the time during the budget process for that, but I want to get a briefing at some point so we can address those concerns. Thank you.

Chair Furfaro:

Vice- Chair Chock.

Mr. Chock: *Mahalo* Mayor. *Mahalo* Administration leaders and your team for putting together this balanced budget. I just wanted to make a few comments on it. The first thing is in the direction of where I see we need to go. I do agree as well that we need to look a few years down the road and would like to make the additional request that maybe 2009 is a long way back. Where are we heading in the next at least three years so that we can project how to make a sustainable budget? I love some of the things that I am seeing here in terms of how we are going to cut some costs or savings opportunities here. I would love to see more detail in everything from what Councilmember Rapozo mentioned in the methane capture, to the vehicle motor pool, and the litigation teams and how that might lead into cost savings in the long run. I did want to comment on just in terms of how we are approaching our budget. I think that in general, I would not use the word "stretching", as much as I would like to use the word "empower." I am surprised by you using that word. My hope is that we enable others in our County government to actually do more with less and thrive in that environment. It leads to the idea of survival rather than abundance and thriving and I think that is the kind of mind frame we need to change here so we can succeed. We know we have huge issues and we know we have huge benefit things in front of us. My hope is that we are leaning towards looking for creative solutions, as I know you are. But in particular in investing in the community more and more to open up our government. I know we cannot do it all. So my hope especially in looking at areas like parks, you know, we can mobilize people really well to help volunteer and create the kind of County island that we want. So I am looking forward to those kinds of cost savings as well in the future. But in general, I am supportive of the measures that you are taking to present this budget to us. I look forward to having the details discussed. Thank you.

Mayor Carvalho:

Thank you.

Chair Furfaro:
come to my wish-list. Mr. Bynum.

We will go to Mr. Bynum and then I am going to

Mr. Bynum: I am not going to give you a wish list. I am going to give you a couple head's up maybe, but overall I am very pleased with your budget presentation this morning. Thank you very much. It is a difficult budget to present and sacrifices have to be made this year. Ones that I am going to have really swallow hard to accept, but I believe for the last two years...actually I will just say it, since Mr. Hunt has been the Finance Director, your Administration has presented very reasonable proposals to get us back on-track. I am tempted to spend a lot of time talking about how we got in the hole in the first place, but I am not going to do that. I did it already and it will come up in the budget, but I will go back and talk about the facts of that history, if misinformation is presented at the Council. Especially if you get chastised for delivering...for squandering resources or something, because the budget...the facts are that the budgets that you have

presented during these difficult times and spending proposals have all been right in the ballpark of what is reasonable. It was revenues and other things that we mostly argued about. I will stick to a couple of items and I will try to save comments and stick to questions until the end or maybe just a head's up things. Going into the OPEB is painful for us, especially those who have been around here a long time and proud of our history. To get us back to a sustainable budget as Mr. Hooser was talking about, we cannot do that this year. That is how far we went in the opposite direction. But we are headed in the right direction. That \$250,000 for the surplus, that is a token down payment and I strongly suggested that. I do not know if that influenced your decision for that at all, but it is like, let us at least state in this budget that this is an issue and we need to build this back to the place. Because it used to be too big and now it is too little, right? So overall I like the budget. We also agree with the Chair that our core obligations that we are sad about not meeting if we should have revenue, we have to look at quickly and it means we are going to have a budget year, do not you agree...

Mayor Carvalho: Yes.

Mr. Bynum: Where we might have two, three decision-making periods. The Chair is saying that these obligations are, I think the first priority. I do not know that I disagree with that. But there are other priorities. Depending...do you agree that we may have that discussion an extra time this year because of this unique circumstance? Do we know the timing?

Mayor Carvalho: The timing?

Mr. Bynum: Will we have that answer from the Legislature prior to your supplemental?

Mayor Carvalho: I would hope so, yes.

Ms. Yukimura: Next week?

Mr. Bynum: Next week? Okay. Do we have any sense of that? Because I saw heads saying no and I heard you saying you hope so.

Chair Furfaro: It is being heard today. Today is the big indicator and it is quite possible 80% indication.

Mr. Bynum: There are really two competing proposals as I understand. I was very impressed at the very beginning of the whole TAT debate and the full County press. Is that what we are doing right now as we speak? Are we making that argument for the full return of the 9%?

Mayor Carvalho: We are just hoping that the 9% cap is lifted. That is the bottom line.

Mr. Bynum: That is the House proposal, right? So the other things that I wanted to give a head's up and I will make my comments about other wonderful things in your budget when we wrap this up is about the Public Access, Open Space. You knew I was not going to be happy that that was part of the target and you framed it really well about saying hey, for this interim period we need to move some of this into a commitment to replenish the reserves. That is great framing. Just like your savings

opportunities also are places where we are making investments. So when we get into the... correct? You have done great framing with savings opportunities and I agree with you 100% on each of those, but there are also places where one of the few places that we are actually making investments, right? Correct?

Mayor Carvalho:

Yes.

Mr. Bynum: And I support that. On the Public Access, Open Space, I am concerned about how you have chosen to do it. You did not say that hey we need some of it this year or some of it for the next couple of years, you went back to the fundamental decision this Council made before, which was to make it by Ordinance. So it would not...so that commitment would be an extraordinary decision to say just like not funding the OPEB, right? You are saying hey, we made a commitment as a County. The Big Island sustained that commitment through the worst economic period at a much higher amount and I understand this year they said, you know what...we cannot sustain that level, and they have suspended it, not turned the formula upside down. So I would just give you a head's up, you can count on an amendment about how we tap that Fund, if we choose to? But you kind of did a little overreach on that issue, I think by saying that we will look back at the policy decision that was made before. It is kind of like a little more than a budget maneuver in its current form. If that is my biggest complaint about your budget, you should be happy because I did not even open the idea that we may need to suspend some of the contribution to the Fund, but you attacked the Ordinance that the Council put in and passed. Dialogue is essential, I love your conclusion too. I will say in my comments as well that this process has improved dramatically over the past few years because of your efforts, Ernie and because of the efforts on this side, our Staff and the quality of leadership of our Staff and this is going to be the best process, even though it is going to be the most difficult. Thank you for being willing to answer questions.

Chair Furfaro: Mayor, thank you very much. You know I want to go a little further and say a big thank you to your Finance team. I want to recognize Ann and Kenny and Kenny was my Controller for three years as well. So I know his style and his focus and his detail. He was a great, great addition. Ernie, Steve, Nadine, great, great job. We are constantly making improvements and I think that is what Mr. Bynum has alluded to. You have over the last several years put together a real great Finance team and I want to point them out in particular. It is very, very much appreciated. I use the term "wish-list," that is what I referred to earlier when JoAnn was sharing some ideas with you. I will change it because people have different interpretations. I would like to give you a happy face, but I have to tell you there are some things that as we go forward that as a long-term manager, I have to tell you there are a couple of things that I would like to see on the radar screen. Because I think they are opportunities that we have not talked too much about. For example, as we talk about managing green waste and so forth, I think we have not gone all the way to find out if that is an asset for us. We are spending \$1.3 million according to my calculations and Steve... on green waste management? But when we look for some revenue for actually selling and other transactions with the green waste, some of the contractors that are working for us, they are not required to give us a portion of the proceeds for when they sell it. I think that is a big item that still has some revenue potential for us. I also want to say that that the Reserve goal I would like to have it more defined. I would like to have a statement about how we are building a Reserve to the point that this Council, future Councils, especially with us that may only seek office one more time or coming up on term limits. This should be a plan that talks about the goal of having a Reserve. I would like it to be a little bit more defined. Again, this is my...I want to put a happy face on this, but I think these are things that we need to pay attention to. As Mel

said, as it comes to the opportunities with the methane gas and so forth, these are things that we can have discussions on duration the year and we will put them on the agenda. But they also have to be on my happy face list. The other desire I have, on September 6th I submitted a proposal to you folks about a reporting system for the County Attorney as it relates to expenses and Special Counsel services. Again, I resurfaced that to you folks in February. Part of it is, we have lost some continuity in the office with some great employees that have retired like Joy and so forth. That actually kept the Attorneys current about the spending of contracted services and so forth. You know, with retirement of people who have great history, we find ourselves not having an opportunity to invest with the new people to show them the kind of continuity that we need. So I would like to have an opportunity to just voice my consistent pursuit and I will at the County Attorney's review about having a process that both Finance and the County Attorney's Office can agree to keep this Council in tune to the exposure we have on expenses. We cannot just be taking a budget and reduce it this year by \$250,000 and the next year by \$250,000 and so forth without understanding how controlling those costs are going to be managed? JoAnn talked about something dealing with the Multi-Modal and Transportation System and I am signing with her a piece of correspondence to having some representatives from the State to interact with us about the Multi-Modal Transportation Plan at the State level and so forth. I want to ask you for some coordination to *kokua* with us to get the State people to realize that we need them here to talk about the island's plan from both political subdivisions, so that we have some joint focus and whether we are going after some Federal funds or what they can help us with or what we can match and so forth. So we have a plan for that. I would like to put that on my happy face agenda as well. Then I want to reassure Mel, that we will be looking for something on the methane program soon to get an update. I know there has been talk at one time that the Feds are interested in that development. Then I heard it was the State. Then I heard it was the Feds again, the military. But we need to know how we are going to tap that asset as future revenue. I also want to tell you that the opportunity for getting some additional fees for the Planning Department, as it relates to the discussion that has come up about Additional Dwelling Units (ADUs). Okay? How I want all of those people who are lobbying us to have some revisit to that to understand, ultimately that decision goes to the Planning Department, if we just put it on for first reading. That discussion is at the Planning Department, but none of that should be even attempted to be extended unless there is a fee attached to it. The fee that gets attached to it is especially important since it deals with agricultural land that needs to be earmarked for enforcement and inspectors so we have a way to control that for those that have those certificates and I want to get it extended. Then of course, on the other part is the Open Space moneys. I have share with you, if we are going to keep a tight control in Planning on costs and we are going to have a tight control on the County Attorney's Office, I am saying that we might want to go after 200 acres of open space land somewhere and in doing that there are costs associated with appraisals, legal reviews, and so forth. I would agree that some of that money could be used for that as it is particularly earmarked not as a Departmental expense, but as a cost associated with acquiring open space. I just want to share with you that is my thinking on that. I could not expect that the County Attorney's Office is going to do a title search and costs associated with acquiring a piece of land and then not have that money earmarked somewhere in their budget. So I am just saying that is not a discussion item for right now. That is just me smiley facing that those kinds of things should be considered. Where did I get that? I got that as we approached the acquisition for Black Pot because that money bill, that original plan was something that I put in the budget seven years ago and now we had a Bill that was transferring money back into the Parks and Recreation Department and was totally misinterpreted at the table here yesterday by the Attorney representing the landowner. I was flabbergasted. So I want you to know, Mayor, I am going put a press release together and I am going to put the facts out

there for the community. Because I am tired of having them come here and being misinformed and the Legal Department feels that they just giving bits and pieces. They have done a good job on acquiring that piece of land for us. They have opened it to the point that...come on, put good information out there and if you are not going to do it, I am going to do it. I do not like dealing with that here at the Council with people misunderstanding what is going on in a negotiation when it is done in the best interest of the people of the County of Kaua'i for public space. Quite frankly, I am disappointed it has taken us this long, since I introduced that money bill back in 2004. Unbelievable. But let us give credit where credit is due. Let us give good information out to the public and I am going to do it. That is how frustrated I am with bad information that keeps getting circulated. Anyway, I appreciate very, very much your presentation. Got a lot of items up there that I would like us to have further discussion on...not during the budget process, but certainly in new items. We are going to have to take a caption break. When we come back, I want to call the meeting back to order, Mayor and give the members a few minutes each to talk about their observations

Mayor Carvalho: Thank you very much, Chair and Councilmembers, we look forward to a healthy discussion. *Mahalo*.

Chair Furfaro: Thank you very much. B.C. we are going to take that caption break now and we will be back in ten minutes for Council comments.

There being no objections, the Committee recessed at 10:52 a.m.

The Committee reconvened at 11:08 a.m., and proceeded as follows:

Chair Furfaro: *Aloha*. We are back from our recess, and call the meeting back to order. I would like to go around the table for five minutes of general comments from the members and then we will go to actually the detail of the Office of the Mayor, as our next scheduled item. So is there anyone that would like to have their time first? Mr. Bynum.

Mr. Bynum: I will go, if you want me to.

Chair Furfaro: Anybody...Mr. Hooser?

Mr. Hooser: I will volunteer. I know everybody has a lot to say about the budget. We each have our own opinions and different priorities and so I will keep my remarks short. Basically, what I said earlier...my number one concern is the fact that the last five years, every year has been an unsustainable budget. In my opinion, with income versus expenses, it is an unbalanced budget in a conventional sense and unsustainable budget for the last five years and looks we are at least \$12 million short and we will see at the end of the day, short we are this year. There does not seem to be...I do not know how we are going to get out of this without some very strong and divisive leadership and a plan. A lot of businesses make this mistake and feel they will grow out of this and pay more and I cannot imagine how we are going to grow out of this without continually raising property taxes. We are raiding our employees' and retirees' health payments and I could support that if it were a unique situation or one-time thing, but I do not see anything to the contrary, that this will be anything, but an ongoing effort. We will be deeper in the hole next year and be asked to do the same thing, the same thing with the Open Space Fund. So next year, so what? We just raise more taxes on top of what we raised this year and last year? I do not see this as an acceptable option. I know the

practice of the County has been to do year-to-year budgets, but I would encourage and I will encourage the Department of Finance to look at a little bit longer term. But the State, you have to do a 6-year budget plan at least. So to say what is coming down the road. What do we have to deal with next year? I would like to see a plan, how we get out of this. I just do not think we can tax our way out of it and the willingness to cut and the ability to cut is very limited. So having said that, it is going to be very difficult for me to support adding new positions. I think we have at any point in time a number of vacancies, and if there are positions felt to be urgent, then fine, we can freeze a position somewhere else and add a position somewhere else. But adding positions is going to be very difficult for me, taking away...and I intentionally used the words "employees' health fund," rather than OPEB so the people know where this money is coming from. The employees are not in a position to say yes or no. That is our decision. I would really like to see a plan and it is about needs and wants and with all due respect to...respect to certain colleagues who have certain priority projects that they want to expand, I do not believe now is the time to do that. As we enter the budget process, just as last year, I believe it is responsible and prudent for members to only request increases when they can identify corresponding cuts or new revenue. I think that is the only responsible way to ask for increases, to identify specific cuts or specific sources of revenue. There are some specific sources of revenue that in recent years the County was not taking advantage of and I have spoken to the tax...the plans for some of that, whether it impacts this year's budget, I do not know. We can increase income from property taxes that were not being paid by the large companies operating with the Agribusiness Development Corporation (ADC) leases and working with Councilmember Chock who has requested other leases. We are finding leases going way back. So I think there are untapped revenues that we can look for, whether or not we can get them to impact this year's budget, I am not sure. But again, as I mentioned, I think it is important that that we all know where each of us are coming from and that is where I am coming from. I think we just think we really need to suck it in and bite the bullet even more so than is being presented and resist thinking that we can piece something together now that is going to fix the problem. I think we have to look long-term. I respect and admire the challenge it is to put a budget together this year, but I think we have to step up even higher to look at its impact next year and not just how do we get to this year and that is it. Thank you Chair and I look forward to working with you, the members, and of course the Mayor and Administration on moving ahead with this very important process. Thank you.

Chair Furfaro:
would like to go next? Go ahead.

Thank you, Mr. Hooser. Is there anyone who

Mr. Rapozo: Thank you, Mr. Chair. Real briefly, I will start out by saying three years ago, I did not support the budget and it was a 6-1 vote because I was concerned about the road we were on. I am not a financial expert, not by any stretch. But I do have a business and I realize that if we continue on this track, we are going to be in trouble. Two years ago, I voted against the budget and at that time KipuKai Kuali'i voted along with me, for the same reason. If we continue on that track we are going to be in trouble. Last year, I saw some major improvement with the Administration's budget. A lot has to do with the Budget Team. I think the Mayor did a good job at putting together...I was real comfortable meeting with them...and looking at the real numbers...Ken and Ann and Ernie and Steve, that I felt comfortable that we were making some progress and that I agree it is going to be hard to get out of this hole. We are not alone. It is every County, every state, and the Federal government. Thank God they can print their own money, but this year I am hoping that I get to a place at the end of the budget that I can support it. But I will be looking for those really difficult reductions and how we can...I like the term

"sustainable budget." I like that. I think it is the proper term. Because on paper, we have been given a balanced budget, but that is assuming that the property tax increases, that the Motor Vehicle Weight Tax gets passed and that the tipping fee...there is a chance that might not pass. Then it is not a balanced budget anymore. So I think "sustainable budget" is a more accurate term. Going forward, I think we have to really...and OPEB, the employee benefit account, it is a fund that at 73% we are still way ahead of the game, but we are not catching up. I think that is what we have to be cognizant of. That is not just a source we can tap, because again where are we going to be next year and the year after? On this track, I can tell you just with Collective Bargaining increases, just with that alone, we are going to have to raise taxes and fees next year. I do not know what else we are going to do. I am not sure what we are going to do. So we just have to look really, really hard this year, we as a Council. Throughout the term, throughout this year, many opportunities and I mean no disrespect to my colleagues, but there are many opportunities here that we could have said no, that we should have said no. Because if we had said no, we would have had a little more cash right now. But we did not say no. I think it was a lot, out of respect for the Administration, the fact that they are doing their job. But there comes a point where you have got to say no. I know it is hard to do that when you have a room full of people and you have supporters and you have the justification and it sounds really good. I used the analogy every budget year, I want a swimming pool in my yard but I cannot afford it and even if somebody built it for me for free, I cannot afford the maintenance and that is the mentality that we have to have that anything that we can put off that is non-essential, that is not necessary, has to be put off. It just has to be and the public has to understand that. Or the public has to accept the fact that they are going to be paying more. Everywhere else, you know, I work part-time at the hotel, and my gosh, Jay, you can relate to this...when occupancy drops, when revenue drops, people go home. People lose hours. People lose their jobs. We do not have that. I will not call it a "luxury" because it is very tough to let people go, but we cannot continue to grow the beast forever and ever. And not worry about how we are working to fund it. There is no opportunity for us to adjust that other than to raise revenue. That is a hard thing to deal with. So I think for us to stop the bleeding, you limit your expenses as best you can and try to make things more efficient. It is ironic that when you look at the statistics, the recycling we are at our highest, right? We are well above the national average in recycling and in fact I can remember the discussions talking about recycling years and years ago, when we recycle more, we divert more stuff from the landfill, we save more money. But our tipping fees go up with a higher recycling rate. The costs to our people go up when we are supposedly more efficient. That is not how it is supposed to work. That is my time, I appreciate it, Mr. Chair. The Mayor and I have been talking and we will have to do things different is what I am trying to say, and I look forward to an exciting and robust discussion. Thank you.

Chair Furfaro:

Vice Chair Chock.

Mr. Chock:

Mahalo, Chair. We had a great discussion yesterday on transferring stewardship to the Kīlauea Ag Park and one expectation we have here at the Council is that we have a plan together, something solid that we can look at, that we can look back towards and make sure that we are reaching our benchmarks for the goals that we said we want to attain. We have a plan, we have a General Plan and we have a lot of other opportunities for us to come together around that plan to build structures that are more business-oriented so that we can create the sustainable budget that we are talking about. Outside of that work, I think that the obvious is there. You hear from all of the people around the table, and that is that we need to be creative. Many Departments are already doing that, you know? I want to applaud the work that they have done in already

trying to look at opportunities. But it is definitely going to be a time of being bold and taking risks. Because we need some change. In actuality, as Councilmember Rapozo says, the mentality needs to change, so that we are not in a place of wanting to or needing to hold on to things, but rather to share the *kuleana* across the board and even outside of our County operations. Where I would look first or more is like every corporation/business, the return on investment really missing link is in human capital. That does not mean for me that we need more people. Salaries is our biggest expenditure. I am talking about building capacity and competency in the existing infrastructure that we have. I think a solid Human Resources / Personnel Department is going to go far into doing that and that is where I would like to see the focus on, in the long run. So again, I am looking forward to tapping into that source of human capital, because there is no value that you can put on that and we can get people to thrive in being able to do what they are already doing, like writing great grants to fund our Departments, to mobilizing community and people. Also looking at creative solutions, I think that that is my area of focus and what I think I might be able to contribute to this budget and looking to enhance it. Thank you.

Chair Furfaro: JoAnn or Tim?

Mr. Bynum: I will go.

Chair Furfaro: Go ahead, Mr. Bynum.

Mr. Bynum: Somebody time me.

Chair Furfaro: We have a timer for you. Let us know when it gets to 4 minutes and we will let him know.

Mr. Bynum: You know, I so much want to talk about the past and how we got here, but I really want to take a different view of that. I want to look at the bigger picture, because you know, increasingly, I enter these budget times and expect it to largely be a celebration of a lot of good work. That is what I have experienced in these budgets over the last eight years or last 8-10 years I have been doing this. It used to be that you would see these Departments that were shining and the Departments that need serious help and it was really clear, it was a real vetting in the time...in the last few years on the Council we had strong leadership and a lot of strong personalities, Nadine Nakamura and the Chair and myself and Mel and you know we pushed you in all kinds of directions. Structurally we are in a wonderful place right now and a lot has been accomplished in the last few years. The high-profile conflicts that get a lot of attention and in the press are overshadowing some really wonderful things happening in our County. You have touched on them today, but I want to look at them from a different...from a structural purpose. When I came on the Council lots of structures in the County were not working well at all. The Council Services structure was not working in my opinion, our finances were on autopilot, because things were happening good and money kept rolling in. As somebody who had worked in government at middle management, when I came into the County, I saw lots of *pukas* and opportunities. This Council has improved every year I have been on the Council and our current Mayor, especially this term has done an exceptional job putting the right people in the right place at right time. Freeing up our civil servants to collaborate and work together. We restructured our taxes and we had a tax structure that did not make sense and did not have fairness. We focused on user fees, where they are appropriate in collaboration with the County, because that is a good way for the County to equitably distribute costs. So structurally we are in a great...our tax was totally restructured. We went into a basic ad valorem, this was the Mayor's initiative which I

supported and the Council agreed with. We have the structure now where if you own homes and invest and you keep them affordable, you get really big tax benefits. If you choose to use that investment as an investment, you get taxed as an investment. You do not get a homestead tax rate unless you are contributing to the community at that level. These structures are in place. This is the year where all the changes get made, so it is going to be difficult. Now the other story of our government over time, if you look at the charts is that this County increased in size almost three times, triple the size of the budget in a 10-15 year period and a lot of people would point that out and say look at that and I would say that is a good thing. We need to have a sophisticated operationally efficient government, because we are a unique place in the world. We are a small town. We have a small-town government, but we are also the world's investment place and all of these people have grand plans how to vision and shape Kaua'i. The people with the vision who are chartered to shape Kaua'i are in this room and we have been heading in a lot of great directions collaboratively. I wanted to list the hires that the Mayor has made since he has entered this term. It is 15, 20, 30, new people and moves within the Administration getting people into the places where they really can contribute. We have taken initiatives, sponsored on the Council side in Economic Development that were led by Nadine Nakamura. We have made those investments. They have been supported almost unanimously on the Council and they continue to be cost areas, but there is this old saying called "penny wise / pound foolish," that is often true because it is happening because of collaboration that is unprecedented in our County over the last few years. To see Civil Servants excited because they are freed up from political powers and they are empowered to be professionals. That all has to be credit given to the Administration. I hated losing Nadine on our County Council, but she is going to provide and accelerate that over there. So what was a loss for us...I hope our Council Chair sticks around longer than he thought...anyways I am going too far afield. Parks and Recreation and the remarkable increase in the bus...am I out of time? Done creatively and we have to look at the finances, but not with GET, GET should never finance any County government and that is a precedent that the State should not take and I will talk about that later because I am out of time. I look forward to this being a celebration of the great improvements that we have made. We are going to find problems and have tensions, but overall I challenge the community to not look at this group of people who come up here and present and not feel like I do overall, very proud of the people serving our community. Thank you.

Chair Furfaro: Thank you. Just to give some clarity to the statement that you got cut off. I do have an opportunity to stick around one more term. Whether I do or not is yet to be determined. Okay, but that is determined by the voters.

Mr. Bynum: I never know what I am going to say and I apologize that I brought that up.

Chair Furfaro: I just needed to bring clarity.

Mr. Bynum: You had said in the past that was your last term and I am saying that I hope that is not the case.

Chair Furfaro: Thank you. Anyway, first of all I want to say that I kind of agree with some of the comments that were from all the players here at the table. Obviously you would like to have an opportunity to hear from all of them and I have not given JoAnn that opportunity yet. But I did want to just interrupt to make sure there was some clarity there on the other subject. So JoAnn, you have the floor.

Ms. Yukimura: Thank you. I want to start first by mentioning what Tim has mentioned, which is the restructuring of the taxes. That was a major framework change and I want to acknowledge Councilmember Bynum, because he has been a leading advocate for that. I also want to mention Steve Hunt, who actually helped us all make it happen. So I just want to say thank you, because that is a major shift and a very positive one. Following up on Councilmember Rapozo saying that we need to do things differently and Councilmember Bynum saying big-picture and Councilmember Hooser saying thinking about the future. I would like to suggest two things that we need to do differently. One, I really think that the County needs a strategic plan for all areas and an plan that overlays our budget. I know the Office of Hawaiian Affairs (OHA) does that and often refers to their strategic plan items during their meetings. I believe this plan needs to be done in partnership between the Mayor and the Council. One good aspect of a City Manager / County Manager form is that the Mayor and Council are on the same side of the banister. I commend Mayor Carvalho for his outreach, just that he is present here in the budget shows his commitment to a partnership. I do not feel like we have created a strategic plan together. The *Holo Holo* plan was not created together by the Council and the Mayor and I think if we do, like OHA, there are really good examples for us to look at. I also think that we need a much better analysis of Collective Bargaining. Most of the increases this year and in next year and next year, you talk about a long-term budget, six-year budget is Collective Bargaining. While I firmly believe that we have to fairly compensate our workers, I think some of the Collective Bargaining is going way beyond that. It is the question of can we afford it? I believe we can afford to fairly compensate or employees, but I do not think we can afford to give them increases that are out of proportion. I do not think we have been looking at that. When I read the management's arguments on the Police Collective Bargaining, we actually made good arguments and we did not discuss them at all at this table. The whole process to me was broken and nested, and needs to be fixed and I would like to see the County of Kaua'i take leadership on that, especially because it has such a fundamental impact on us. I see the Open Space Fund as making an investment in a high-priority and it is a long-term investment and this process of setting aside is like a savings account. It is like a reserve. It is awful that you are taking from the Open Space to the Reserve. That is not right and I plan to propose some alternatives. But if you let it go to a small amount back to 0.5% it is going to take forever to raise enough money that we need to put aside and put towards the future. It is like making an investment in open space and we have to keep that principle alive in our budget. Same thing with OPEB or the health payment for health coverage of our employees and our retirees. I am very proud of the County of Kaua'i that we have been funding up to 100%. I am disturbed that we have to go lower, though as an interim measure, it might still work. I agree that it should be the top priority in reimbursement if we get any moneys from the State. I also think that the Open Space Fund should be top priority as well. I have grave questions about our Adolescent Drug Treatment Center because if we are using sustainability as the criteria for all that we do the analysis shows that a built-from-scratch, is not sustainable. We would be doing a disservice to not just the budget and the taxpayers, but to the people who need the services. And lastly, the General Plan needs to be given much more focus and attention. I realize that I have not seen a build-out analysis as a preliminary to our General Plan and I have not seen a legal analysis of how we control growth and we need to have that before we embark on our General Plan. Because you know, we have had a vacation from the growth issue, but you can see it starting up. We like growth for many reasons, but we also know it means more traffic, higher housing costs, and higher taxes and a lot of things that are not positive and we have to figure out how to manage our growth. Thank you.

Chair Furfaro: Thank you JoAnn. Thank you very much. I would like to start by saying I agree that it would be really nice to have a long-term strategic plan for the island. I would think that perhaps the biggest part of that should be reflected in the General Plan, the opportunity that we have coming up. First and foremost, we need to think strategically. That is the most important thing that we need to talk about in terms of understanding. Let us think strategically, but in government, everybody thinks politically first. Okay? I mean it is a fact. Business school you think strategically, what are the threats, what are the opportunities? Now there are threats on the horizon and I had mentioned in my comments about making sure...and this follows on Mr. Hooser's comments, if you are planning on adding something, make sure you say where you are finding revenue for it. The fact that we do not want to overpromise and under deliver and that is also tied to the message from Mr. Rapozo. So those are two pieces that are out there. What are some of our issues right now? We cannot look at the County operating plan as a profit and loss statement in budget because it is not. There is a certain amount of costs that are associated with just doing business for our stewardship of the island. But at the same time we have to consider that we have growth limits and people look at that as a strength and they also look at that as an opportunity and also look at that as kind of possibly a financial weakness, too, because 83% of our revenue comes from growth. Okay? Now the visitor industry. Another item. If you followed the news yesterday, February numbers are in. The February numbers are 4.2% lower than last year's occupancy, but the rate gained 2.6% in strength. What is the equivalent? Because we want to know about the total revenue, which is a combination of both. That is where the TAT tax comes in. So we have to watch occupancy and rates versus just simply the number of people coming. Stronger occupancy does not always work necessarily with our set of inventory. We want to have a stronger average rate with the contribution to the TAT. That is a concern. Federal government, the reduction of military spending here. Is that going to equate to some shortfall in employment? We have things that deal with what we are going through is the right thing about stewardship now, but limiting the use of pesticides on Kaua'i. What are the economic indicators that will have impact on us? We are going to do a study. But those are the things that we need to know could be an economic challenge for us. What are the opportunities that we have going forward? Well, we have opportunities to put system controls in place, like, spending. As it relates to whether it is the County Attorney's Office or anywhere else. We have to be collaborative with other political subdivisions as JoAnn is talking about, with transportation and multi-modal efforts for transportation. We have an opportunity, too, to really show some stewardship for our island and set a tone for the other counties. That is an opportunity for us, especially with the environmental quality of our home island. So those are a lot of things that we are going to discuss here and I want to make sure that we understand that leadership whether at the Council or the Mayor's Office is about the ability to surround yourself with the best possible people to do the job. I think we are all acknowledging the Mayor is doing that through progressive replacement and filling retirement and so forth with some really good people that are committed to this island. We are all very pleased with that. Then again Mayor, you also have to know, when you surround yourself with really good people, you also have to be recognizing that and then let them do their business, you know? Let it be driven by strategic thinking versus the political process. That is about doing the right thing for the right reasons for our home island. I actually look forward to going forward. I have offered some items already. This is my last minute and some items already to be thinking about. Is there opportunity to recover some revenue on green waste? This bump in the Transient Vacation Rental fee will bring \$100,000 to us, but we also know we are weak in some control efforts there and is that an opportunity? What happens with an ADU bill if it is sent down to the Planning Department to review? But more importantly, let us make sure that we all are open to look at these indicators that I am talking about, because they do affect our ability to do business.

Because it is based on opportunities that means we have the money to be doing right things with Parks and Recreation, Open Space, you know? It is a combination. The whole thing is a combination. So I look forward to working with you folks through this process, and an effort of respect, collaboration, and doing the right thing for our island. Thank you very much. We need to now, Scott, go into a different mode of our agenda today and I believe we are going to start with the review of the Office of the Mayor. We do plan to take a lunch break at 12:30 p.m.

There being no objections, the Committee recessed at 11:42 a.m.